400 Common Stock, 1 no Par —

INVESTMENT DIVISION
DEC 29 1943
RECEIVED

Annual Report

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

1943

GENERAL SHOE CORPORATION

NASHVILLE, TENNESSEE

for the year ended October thirty-first

FRANKFORT
KENTUCKY
OHIO RIVER
MISSISSIPPI RIVER
GALLATIN
NASHVILLE
CUMBERLAND RIVER
TENNESSEE
HOHENWALD
LEWISBURG
TULLAHOMA
MEMPHIS
PULASKI
COWAN
MEXICO CITY
(2 PLANTS)
TENNESSEE RIVER
GEORGIA
ATLANTA
LAWRENCEVILLE

GENERAL SHOE CORPORATION

Annual Report

FOR THE YEAR ENDED OCTOBER 31, 1943

A REPORT FROM THE PRESIDENT

Total volume of business of General Shoe Corporation for its fiscal year ended Oct. 31, 1943, was $45,718,189. Of this total amount, inter-Company business consisting of products manufactured for our own use amounted to $4,831,807. This leaves net sales to customers of $40,886,382 as compared with net sales to customers during the previous year of $33,738,750, and represents an increase of 21%. Total number of shoes produced during the year was 12,029,218 pairs.

Earnings per share on the Common Stock outstanding Oct. 31, 1943, were $1.90 per share after making provision for Preferred Dividends. This compared with $1.57 per share during the previous fiscal year. Total net profit during the year amounted to $1,229,136. Regular dividends were paid on Preferred Stock and dividends amounting to $1.00 per share were paid on the Common Stock.

Total net worth of the Company Oct. 31, 1943 was $8,618,858. In addition to the Preferred Stock, Common Stock and Surplus, making up the Net Worth, our Company has outstanding $2,350,000 of 15-year, 3¼% Debenture Bonds, with a Sinking Fund provision of $150,000 per year. As indicated by the Balance Sheet, an additional $150,000 has been set aside, plus the interest necessary, for calling the installment of bonds due this year.

At Oct. 31, 1943, the Company owned tax anticipation notes amounting to $3,275,056. Deducting $3,095,056 of this amount from our total tax liability, our total current liabilities were $973,238. This compares with cash in banks and on hands of $1,820,777 and other United States Government securities of $383,500.

Total Net Working Capital as represented by the difference between current assets and current liabilities now stands at $9,681,568. This compares with $9,405,049 during the previous year. The Current Ratio which compares Current Assets with Current Liabilities is 10.95 to one.

Book value of the Common Stock, including reserves, is $13.14 per share. The net quick asset value of the Common Stock is $11.11 per share.

Provisions have been made for Federal taxes and all other taxes which are believed adequate under present tax laws. Federal Income and Profit Taxes took about 70% of the operating profit of the Company for the year.

All military business transacted by the Company is subject to renegotiation by the War Profits Control Act. Representatives of the United States Government have examined the contracts of the Company, completed prior to Oct. 31, 1942, and as a result of this examination decided that profits of the Company on its military contracts had not been excessive, and that therefore no refunds to the Government would be necessary. Contracts with the United States Government completed since Oct. 31, 1942, have not yet been examined.

The Company continues to use its past accounting practice of valuing inventories on the basis of cost or market, whichever is lower, believing this to be the most conservative practice for our business. Reserves which we believe to be adequate have been set up for doubtful accounts, for collection expense and for discounts. We believe that adequate provision has been made for depreciation and amortization of plants, equipment and improvements. A very conservative policy has been maintained on the matter of fixed assets and the proportion of fixed assets to total assets of the Company as indicated by our Balance Sheet, is evidence of this policy. As carried on the Balance Sheet, lands, buildings and equipment represent less than 11% of the net worth of the Company.

Approximately 18% of the Company's business during the past year has been on military items for the United States Government. This business includes regular Army service shoes, Navy shoes, Coast Guard shoes, parachute jumper boots, leggings, canvas dispatch cases, canvas cartridge cases and other similar items. The manufacture of all rationed shoes has been declared an essential industry, and it should be borne in mind that shoes other than those made directly for military purposes are necessary commodities for every war worker and every other person in every walk of life who is taking any part in the war program.

The problem of securing sufficient supplies of materials has been and remains a very difficult problem. Our present inventories of raw materials, while not large, are fairly well balanced and we have close working relationships with the most important producers of materials. Our sources of supply have been very helpful in working with us to meet the many difficulties that have arisen. It has been necessary to make changes in some of the types of materials that have been used, but these changes have been made without any serious difficulties as yet. Rubber soles, chiefly of reclaimed rubber although now with a small percentage of synthetic rubber, have been used in increasing quantities and have furnished a very satisfactory soling material. Our Company has conducted extensive experiments in the use of plastics both for soling and for uppers, but it is difficult to secure supplies in sufficient quantity of materials that we consider satsfactory due to the demands made by the military services. However, we are using some plastic materials for soling purposes in a limited way, and may be able to extend this as time goes on.

It is anticipated that there will continue to be a very serious shortage of material supplies. The continued

heavy demands for leather, made by the military services both in this country and on the part of our allies, have reduced very considerably the amount of leather available for civilian shoes. Cattle slaughter in the United States, particularly during the Summer months, declined very drastically in spite of the fact that the cattle population of the country is at an all-time high. While it is expected that there will be some improvement in material supplies as compared with the present, still it is not expected that total supplies for 1944 will be greatly different from those available during 1943.

Just as difficult as the problem of sufficient supplies of materials has been the problem of securing and training people to take care of labor turnover and replace those leaving for military services. Our turnover rate has continued at a high level, and the supply of new labor has been constantly dwindling. Fortunately our plants are located in areas that normally have a fair supply of good labor, but the problem of personnel is very serious. Our Company has a very close relationship with its employees and has had their full cooperation at all times, and it is only on this account that it has been possible to get replacements and to train people and to keep up the necessary work. While it has been possible to secure some temporary deferments from military services for employees on critical jobs, in the future it can be expected that this will be much more difficult and that we must anticipate losing many key men to military services. Our training program, however, has been developed in a very considerable way to meet this situation.

Some rather drastic government controls have been applied during the past year. In addition to those applying to all industry, in the shoe industry we have had orders limiting the production of each type of shoe by price grades. Consumer rationing of shoes has also gone into effect during the past year, and has had a wide-spread effect on the industry. Shoe rationing has been gradually tightened up until it is on a very low basis at the present time. However, the demand for the products of our Company has continued at a very high level inasmuch as the production of many shoe manufacturers has declined very considerably. An effort is made in Washington to so control the rationing program of shoes as to have it mesh with the number of pairs of shoes that can be manufactured in consideration of materials and labor available.

The Company has developed during the past year some non-rationed shoes. These are shoes that contain no leather or rubber or other critical materials. Up to the present time, most of these shoes have been made in women's types, but at the present time we also have on the market a man's type non-rationed shoe. The Company has been very careful in its presentation of non-rationed shoes to be sure that the materials and construction used would be satisfactory and would give good service to the buyer. Unfortunately there have been a large number of very poor quality, non-rationed shoes which have been sold throughout the country by a few concerns.

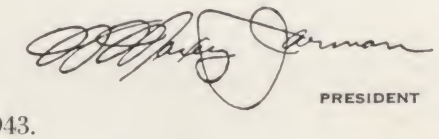
During the past year, our Company acquired by purchase all of the assets of the Gadi Company of Memphis, Tennessee. This concern is a manufacturer of shoe polish and we had used their products to a certain extent in our manufacturing plants and in our retail stores. This business has been operated as a division of our Company during this year and has operated on a very successful basis. It is expected that this will be developed into a nation-wide business.

The Company also established during the past year a branch to manufacture hand bags and small leather goods articles. This branch has also operated very successfully so far, and it is expected that it has good possibilities for the future.

At the present time, demands for products of the Company from retailers and from consumers have been very strong, and considerably in excess of our ability to deliver. Our factories are operating in a very good way, and at approximately maximum production within the limitations of the War Production Board as to the number of pairs of each type of shoe that can be made, and also within the limitations due to shortage of materials and shortages of available labor.

The Company has made rather extensive post war plans with a view toward being prepared for the many problems that will be facing us in the post war period. It is our belief that there will be a great many opportunities for real progress during this period and it is expected that our organization will be ready for these opportunities. For the present, the limitation orders of the War Production Board include rationed shoes containing leather and rubber and other critical materials as well as non-rationed shoes not containing critical materials, and with the shortage of supplies and of available labor it is going to be extremely difficult to anticipate a volume any larger than during the past year under war conditions. In fact, with the serious problems confronting us it is possible that the volume may decline during the coming year. However, it is believed that rationing is building up a large potential demand for footwear, when it is possible to remove present restrictions.

Our organization has met the problems of operating under a war economy in a very fine way. Many of our supervisors and key men as well as rank and file employees are now serving in the armed forces. However, the organization that remains is carrying on with a fine spirit of cooperation and enthusiasm and sincere interest and is ready to meet new situations as they develop.



PRESIDENT

December 3, 1943.

Consolidated Balance Sheets

AS OF OCTOBER 31, 1943 AND 1942

	October 31, 1943	1942
ASSETS		
CURRENT ASSETS:		
Cash in banks and on hand	$ 1,820,777	$ 1,986,178
United States Government Obligations—at cost	383,500	521,000
Due from United States Government for merchandise	334,276	576,997
Customers accounts receivable, less reserve for bad debts and discounts	2,147,253	2,337,115
Miscellaneous accounts receivable	35,406	50,962
Inventories—Finished products and work in process valued at approximate cost, raw materials and special merchandise at the lower of cost or market:		
Finished products	1,366,960	1,316,543
Raw materials, merchandise in process, and special merchandise	4,566,635	3,493,105
	$ 10,654,807	$ 10,281,900
Investment in Stock of other Companies, including subsidiaries not consolidated—at cost	$ 65,499	$ 20,000
Post-War Refund of Federal Excess Profits Tax—estimated	212,800	25,600
Employees Stock Purchase Accounts—secured	136,948	116,499
Sinking Fund with Trustee	152,438	152,438
Real Estate	57,650	58,050
Buildings, Machinery and Equipment, and Improvements to Leased Properties	1,736,411	1,716,503
Less—Reserve for amortization and depreciation	855,639	732,664
	$ 880,772	$ 983,839
Goodwill, Patents, and Trade Marks	1	1
	$ 12,160,915	$ 11,638,327
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable for merchandise, expenses, etc.	$ 318,421	$ 232,002
Due to officers and employees	92,162	53,834
Accrued expenses	512,379	407,798
Provision for taxes on income, less United States Treasury Tax Notes held for payment of Federal taxes, $3,095,056 at October 31, 1943 and $2,000,420 at October 31, 1942	50,276	183,217
	973,238	876,851
Fifteen Year 3¼% Sinking Fund Debentures due December 1, 1956 (Sinking Fund Payment $150,000 required on September 1, 1944 and annually thereafter until maturity)	2,350,000	2,500,000
Reserves for Retirement, Insurance, and Contingencies	218,819	206,816
CAPITAL STOCK:		
Preferred stock without par value—Authorized and issued or to be exchanged for old shares—99,260 shares callable at $7.50 per share and having a liquidating value of $5 per share; entitled to cumulative dividends of 40c per share annually, payable on January 1, and July 1, (paid to July 1, 1943)	496,300	496,300
Common Stock—par value $1 per share; authorized 1,200,000 shares, outstanding October 31, 1943 (after deducting 2,820 shares in treasury) 627,391 shares; October 31, 1942 (after deducting 3,038 shares in treasury) 627,173 shares	627,391	627,173
Paid-in Surplus	3,646,388	3,644,447
Earned Surplus	3,848,779	3,286,740
	$ 12,160,915	$ 11,638,327
Net Working Capital	$ 9,681,569	$ 9,405,049
Current Ratio	$ 10.95 to 1	$ 11.73 to 1

CORPORATION

Consolidated Profit and Loss

FOR THE YEARS ENDED OCTOBER 31, 1943 AND 1942

	Year ended October 31	
	1943	*1942*
Sales, less returns and allowances	$ 40,886,382	$ 33,738,750
Less—Discount on sales	392,872	298,280
	40,493,510	33,440,470
Cost of Sales	31,638,320	26,054,007
GROSS PROFIT	8,855,190	7,386,463
Selling, General, and Administrative Expenses and Provision for Bad Debts	4,617,033	4,051,609
OPERATING PROFIT	4,238,157	3,334,854
Miscellaneous Income—Interest and dividends received and service charges	17,660	11,976
	4,255,817	3,346,830
MISCELLANEOUS CHARGES:		
Interest on debentures	76,781	70,417
Provision for contingencies	13,200	13,200
Interest on bank loans, etc.		3,940
Discount on debentures		87,500
TOTAL MISCELLANEOUS CHARGES	89,981	175,057
PROFIT BEFORE TAXES ON INCOME	4,165,836	3,171,773
Provision for Taxes on Income, less Post-War Refund of Federal excess profits tax 1943, $191,000, 1942, $25,600	2,936,700	2,148,400
NET PROFIT	$ 1,229,136	$ 1,023,373
Depreciation and Amortization of Plant, Equipment, and Improvements, and Lasts, Dies, and Patterns charged to Operations	$ 308,735	$ 561,695

STATEMENT OF CONSOLIDATED SURPLUS

Earned Surplus

Amount at beginning of year	$ 3,286,740	$ 2,930,125
Net profit for the year	1,229,136	1,023,373
	4,515,876	3,953,498
Deduct—Cash dividends paid:		
On preferred stock—40c per share	39,704	39,704
On common stock—$1 per share	627,393	627,054
	667,097	666,758
Amount at end of year	$ 3,848,779	$ 3,286,740

Paid-in Surplus

Amount at beginning of year	$ 3,644,447	$ 3,640,846
Premium on purchase and sale of common stock (net)	1,941	3,601
Amount at end of year	$ 3,646,388	$ 3,644,447

ACCOUNTANTS' REPORT

To the Board of Directors,
General Shoe Corporation,
Nashville, Tennessee.

We have examined the consolidated balance sheet of the General Shoe Corporation and its domestic subsidiary companies as of October 31, 1943 and the statements of consolidated profit and loss and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Except that it was not practical to confirm receivables from the United States Government and certain chain store companies as to which we have satisfied ourselves by other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Following previous practice, the company added to reserve for bad debts, through charge to profit and loss, the amount of $98,552.26 based on a percentage of credit sales. It appears that the reserve, without this addition, would have been adequate to provide for losses in collection of accounts outstanding at October 31, 1943.

Under the customary terms of the rental and royalty agreements covering machinery leased by the parent company, it is liable to the lessor for deferred license fees amounting to $148,738.05 (net) as of October 31, 1943, which are payable when such machinery is returned to the lessor, together with all return freight and repair charges. It is the consistent accounting procedure of the company to charge as operating expenses all current rentals and royalties.

During the fiscal year 1943 the parent company was engaged in production of goods under contracts with the United States Government and under provisions of Section 403 of the Sixth Supplemental National Defense Appropriation Act 1942, such contracts are subject to renegotiation; however, renegotiation proceedings have not been commenced. For the fiscal year 1942 renegotiation has been concluded and an agreement entered into to the effect that no excessive profits were realized.

The indenture covering the Fifteen Year 3¼% Sinking Fund Debentures restricts distribution of capital and surplus, except as to an amount of surplus at October 31, 1943 of $1,499,916.10. In our opinion, subject to the foregoing explanation regarding provision for bad debts, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus present fairly the consolidated position of the General Shoe Corporation and its domestic subsidiaries at October 31, 1943 and the results of the operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Five-Year Comparative Record

	Years Ended October 31				
	1939	*1940*	*1941*	*1942*	*1943*
Net Sales	$16,581,537	17,462,085	23,729,199	33,738,750	40,886,382
Net Earnings	$ 927,194	752,317	1,064,151	1,023,373	1,229,136
Earnings Per Share Common Stock	$ 1.41	1.14	1.63	1.57	1.90
Dividends Paid	$ 661,056	667,979	603,880	666,759	667,097
Dividends Paid Per Share Common	$ 1.05	1.00	0.90	1.00	1.00
Current Assets	$ 6,468,624	6,592,176	7,380,109	10,281,900	10,654,807
Current Liabilities	$ 510,000	450,691	880,885	876,851	973,238
Working Capital	$ 5,958,624	6,141,485	6,499,224	9,405,049	9,681,569
Net Worth	$ 7,154,253	7,243,137	7,693,942	8,054,660	8,618,858
Debentures Outstanding	—	—	—	$ 2,500,000	2,350,000
Preferred Stock (No Par) Value in Liquidation	$ 496,300	496,300	496,300	496,300	496,300
Common Shares Outstanding	628,013	627,716	626,671	627,173	627,391
Total Taxes	$ 449,852	462,538	855,370	2,607,795	3,420,626
Per Cent of Taxes to Sales	2.7%	2.6%	3.6%	7.7%	8.4%
Per Cent of Taxes to Net Earnings	48.5%	61.5%	80.4%	254.8%	278.3%
Taxes Per Share of Common Stock	$ 0.72	0.74	1.36	4.16	5.45
Depreciation and Amortization	$ 217,986	267,263	326,508	561,695	308,735

COMMENT ON OPERATIONS

Each year it is the purpose of the management of General Shoe Corporation to furnish background information and general facts about the policies and operation of the company. It is felt that such a discussion will present a clearer picture of this company as it actually exists than can be obtained solely from an examination of the financial statements.

The operations of General Shoe must be so co-ordinated and balanced that the service rendered by the company to the public, the relationship with employees and the return on the stockholders' investment will all fit in with each other in the best possible manner. The interests of these groups are not opposed—rather they are dependent upon each other. Realizing its responsibility to all, management is constantly striving to formulate its general policies and conduct the business in a balanced manner calculated to serve every interest to the greatest advantage.

Description of Operations

The company is conducted on a decentralized basis with seven operating branches, five of which manufacture and distribute shoes. Each branch specializes on a particular type of shoe. Some of these branches have more than one sales division, covering different types of markets.

Of the other two branches, one covers retail operation and the other covers the assembling of material and supplies to be used in the shoe manufacturing plants.

While there is uniform financial and policy control throughout all the branches, the decentralized plan of operation has added greatly to the incentive and developed initiative of men throughout the organization. It promotes enterprise, encourages the assumption of responsibility and increases efficiency. It insures a more intensive concentration of "know-how" on each individual problem.

RESEARCH

Our company is keeping in close touch with developments in the field of research. Wartime shortages of leather have resulted in many synthetic materials which are carefully analyzed before being used in our shoes.

General Shoe operates eleven shoe factories in the United States, one sole-cutting and heel-building plant and a chemical division which was enlarged in January, 1943, with the acquisition of a chemical plant for the manufacture of polishes and other leather dressings. Nine of these shoe factories and the sole-cutting plant are located in middle Tennessee, two in Georgia and one in Kentucky. The chemical division operates plants in Nashville and Memphis, Tenn. General Shoe also has a majority ownership of two shoe factories in Mexico City, Mexico. The company also has a division manufacturing handbags.

Each shoe factory specializes on a certain type of shoe and this specialization provides for development of a high degree of skill and efficiency.

Shoes are distributed to the trade through several sales divisions, each operating on a particular type of market. Shoes sold to the larger chain operators and mail order houses are generally made up under private brand names. Shoes sold to independent retailers generally carry our own brand names, some of which are nationally advertised.

The company also operates a number of retail stores in most of the principal cities of the United States. These stores provide a most valuable direct contact with the public which is helpful in designing and building various types of shoes. These company-operated retail stores distribute Jarman, Flagg Brothers and John Hardy shoes for men.

By setting up various divisions on a specialized basis to handle just one type of product, and with an organization responsible for the development of that particular division, it has been possible to keep in close touch with requirements of the trade and to avoid the waste that sometimes occurs in large organizations. This set-up helps General Shoe to produce unusual values in line with the requirements and desires of our customers.

For the War Effort

The American shoe industry has met the requirements of the military services in an excellent manner, and General Shoe has handled its proportionate share of this business. Of the year's production of 12,074,387 pairs of shoes by this company, a substantial number were for the various branches of the service, which represents a large increase over the number of service shoes we were called upon to produce in the previous year.

Our company has consistently maintained a co-operative attitude toward military production. Activity of our fighting men in all parts of the world has created a demand for many types of footwear, and the shoe industry has been geared up to produce such extremes as extra heavy cold climate boots or strap sandals for submarine personnel. The military shoes we make include paratroop boots, Army service shoes, Navy and Coast Guard shoes.

This company also has been manufacturing other items needed by the military, such as leggings, canvas dispatch cases, canvas cartridge cases, etc. Our facilities are constantly open to the Quartermaster Department for the production of any type of military equipment that could be handled by our machines or our factories.

Manufacture of all rationed shoes has been declared an essential industry. Adequate footwear is essential to every war worker and to every other person who is taking any part in the war effort.

Government Restrictions

Since this country committed itself to total war, many government regulations have been issued affecting almost all phases of the shoe industry. During the first year of the war there were price-freezing orders affecting our sources of supply and our own selling prices, wage stabilization orders, regulations restricting designs of shoes and restricting the use of sole leather.

In the past year some rather drastic government controls have been added. We have had orders limiting the production of each type of shoe by price grades. Consumer rationing of shoes also went into effect during the past year and has had widespread effect on the industry. However, the demand for the products of our company has continued at a very high level, as many other shoe manufacturers were unable to maintain their production schedules. An effort was made in Washington to so regulate the rationing of shoes as to have the program mesh with the number of shoes that can be manufactured, taking into consideration materials and labor available. This means that rationing has not limited production, but has been calculated to use up all of the shoes that the industry could produce.

General Shoe has been able to meet these government requirements and at the same time keep up a good rate of production, and we look forward to a continuance of that condition.

More people are employed now and, with transportation restricted, there is a great deal more walking. These things build up to the need for large quantities of shoes for proper working efficiency and maintenance of civilian morale. However, it is likely that restricted material supplies will cause footwear to be in short supply for some time to come.

Employee Relations

Just as American industry as a whole has suffered, so has General Shoe felt the impact of a labor shortage. It has been a major problem and probably will continue so as long as the war lasts.

It has been difficult to train new employees at a sufficiently rapid pace to replace those who are called into the armed services or who have left for various other reasons. Difficult as the labor problem is, it would be much worse were not our plants located in areas that normally have a fair supply of good labor. Principally because our company has always maintained close harmony with its employees, it has been possible to get replacements and train people to keep up the necessary work.

General Shoe has in the past employed women for about 50 per cent of the working force. This percentage of women has risen considerably since the war began and many factory operations always done by men are now being accomplished successfully by women. Slight re-arrangement of the working set-up has made it possible for these women workers to get into stride quickly.

An extensive training program is in full swing in all the plants. This covers all types of general and technical training for rank and file workers and for the greater development of the supervisory force.

A great many of these replacements have become efficient shoe makers. Intelligent and sound Americans, most of them have caught onto this work quite satisfactorily. Various programs, most of them in existence for several years, are maintained for the

General Shoe Corporation's headquarters and main factory in Nashville, Tenn.

advancement of employees. An industrial relations department is alert to see that proper working conditions are provided.

Joint committees representing employees and management are active in a number of General Shoe's plants and have been found to be most satisfactory in providing a free interchange of ideas and in giving opportunity to workers to have a voice in the determnation of policies affecting them.

Employees have been encouraged to turn in suggestions for possible improvements in manufacturing methods in the various factories, and in many instances these suggestions have been found of such value that the employees were rewarded.

Raw Materials—Supplies

We have continued our fine relationship during the past year with our sources of supply, as indicated by our increased production during the year despite diminishing supplies.

Due to the fact that we had in this country a 12.5 per cent reduction in the kill of cattle during 1943, and also that the imports of hides from Argentina, which normally amounts to 50 per cent of our imports, declined to the lowest level since 1928, we are faced with a very tight situation on hides. The total visible supply of all cattle hides has declined about 17 per cent.

Cattle slaughter has recently begun to increase and more hides are likely to be available. However, since inventories of tanners and shoe manufacturers have been so greatly reduced, it would not seem probable that more material will be available in 1944 than was available in 1943.

With the continued fine spirit of co-operation of our sources of supply we feel that we will be able to adjust ourselves to the many problems likely to arise during the coming year.

EMPLOYEES' NEWSPAPER

A monthly publication, The General, containing sparkling little items about their activities and developments in the plants is circulated in seven of the company's Tennessee factories. The paper is popular and it is planned to expand it to other plants when newsprint shortages are relieved.

General Shoe employees are scattered throughout the various theatres of war in all branches of the armed services of our country.

Chemical Division

The chemical division of General Shoe is comprised of the bulk plant known as the Keystone Chemical Company, supplying only our own plants, and the Gadi Company making polishes and other leather dressings for retail trade.

Keystone supplies approximately one-third of the shoe chemicals required by our domestic factories. These materials, such as adhesives, stains, waxes, fillers, sprays and finishes are supplied in bulk at great savings to our factories over the prices charged for comparable materials in the open market. Through constant research, Keystone continues to add new products, at a saving, hitherto purchased on the outside.

In January, 1943, the Gadi Company of Memphis, Tenn., was purchased as a going concern as our "package plant" for the manufacture of leather dressings for the retail trade. The original Gadi line has been on the market for sixteen years. Since General Shoe's entry into the consumer shoe polish trade, many new lines have been added and the business has shown a substantial growth. Our regular marketing channels for shoes are being utilized, providing a ready market for some of Gadi's new lines.

Operations in Mexico

The operation of two shoe factories in Mexico City, which our company assumed more than a year ago, has been progressing quite satisfactorily. Production at these factories has been materially increased and a desirable working relationship has been established with Mexican industry and with the employees of those plants.

The Mexico City operation, while not large, is providing valuable experience toward possible developments in other Latin American countries. With the growing trend toward closer co-operation with Latin America, it seems desirable to prepare ourselves for future possibilities.

Advertising

Considerable thought, effort and expense are behind the consistent advertising campaigns in behalf of leading shoe lines of this company. The Jarman and Fortune Shoes for Men and Friendly Shoes for Women are promoted in national publications. These advertising programs are continued during the war despite the fact that the company is unable, due to wartime restrictions, to meet the demands of all its customers. The public acceptance of our shoes so advertised has been gratifying and it is our intention to continue and probably expand the national advertising schedule. John Hardy and Flagg Brothers shoes also are vigorously advertised in the localities in which retail outlets are situated and the results of those campaigns have been consistently successful.

The General Shoe advertising department maintains close touch with the various dealers throughout the country who sell our products and they are assisted with window cards, panels and placards, advertisements for local papers and frequent promotional suggestions.

Recently the Jarman Shoe direct mail advertising was included in the "fifty leaders" in a national competition sponsored by the National Direct Mail Advertising Association. It was the only shoe advertising so honored. The previous year Jarman direct mail advertising won the same distinction.

Company Retail Stores

General Shoe owns and operates a group of Jarman exclusive stores and leased departments in principal cities throughout the country.

Another group of stores known as Flagg Brothers distributes men's shoes designed and manufactured by this company to sell at popular prices.

A third group, the John Hardy stores, sells men's shoes in the lower price field. These outlets are located in larger cities in the middle west and south.

In all there are 81 stores or departments operated directly by the company.

STOCKHOLDERS

There are some 3,200 owners of 627,391 shares of General Shoe common stock outstanding—an average of about 194 shares per holder. The stock is listed on the New York and St. Louis stock exchanges. . . . Owners of General Shoe stock are scattered throughout the country, and a sizeable number of them are rank-and-file employees of the company. They have purchased the stock, for the most part, out of their earnings. . . . General Shoe maintains facilities for answering inquiries from any of its stockholders who are always welcome to visit any of the plants or offices.

When the War Ends

As the end of the European phase of the war seems more and more imminent, much thought is being given to the problems of turning the wheels of industry back toward peacetime production.

In the shoe industry there need be no reconversion lull. Our factories can swing over to full peacetime production virtually overnight. The same type of equipment we now use for the manufacture of military shoes also is used in the making of civilian shoes. The shoe industry doubtlessly will be hard-pressed to meet the demands of people released from wartime restrictions. It is believed that the chief result of a sudden termination of war contracts for shoes would be to provide additional supplies of materials for civilian shoes that are greatly needed and in widespread demand.

The Products

MEN'S SHOES—The best known and highest grade shoes manufactured by General Shoe Corporation are Jarman Shoes for Men—quality shoes with a name made familiar throughout the United States by consistent advertising in nationally circulated and leading magazines. Also nationally known and widely advertised are Fortune, Flagg Brothers and John Hardy Shoes for men. They are among the leaders in their respective price fields.

The company manufactures several different lines of men's shoes with retail prices ranging from about $4.00 to $8.85. The types range from heavy work shoes and boots to highly styled shoes for street and dress wear. There are several brand names in addition to the ones mentioned above, and there are sev-

ral other lines sold to independent retailers under their own brand names.

WOMEN'S SHOES—Betty Barrett and Friendly Shoes for Women are the company's leading women's brands. Several other brands are manufactured and sold under private brand names or the company's own names—Pre-Vue, Edgewood and Sewanee. These lines include style shoes, sport type shoes, casual and arch-support shoes. Retail prices range from $4.00 to $6.50.

JUVENILE SHOES—Skyrider Shoes for Boys have had national advertising and distribution since 1932. It is one of America's foremost brands of shoes for boys ranging in age from 6 to 15 years. The Acrobat and Play Pal shoes take care of the requirements of both boys and girls from 3 to 8 years old. Retail prices range from $3.00 to $5.00.

MILITARY—Paratroop boots, Army, Navy and Coast Guard shoes, leggings, dispatch cases and other canvas items.

OTHER PRODUCTS—Leather and cloth handbags, wooden shower clogs, shoe polishes and dressings.

DISTRIBUTION

Approximately 20,000 dealers, located in every state of the Union and in many foreign countries, sell the products of General Shoe Corporation.

LEADERSHIP

In their respective retail fields more Jarman, Fortune and Davidson Shoes for Men are sold through independent retailers than any other line of shoes in the United States.

GENERAL SHOE CORPORATION

NASHVILLE 1, TENNESSEE

Directors—

William M. Blackie	Candler W. Butler	J. Harlan Lawson
Henry W. Boyd, Jr.	Noble C. Caudill	James P. Saunders
Earle T. Bumpous	W. Maxey Jarman	William H. Wemyss

Officers—

W. Maxey Jarman	*President*
William H. Wemyss	*Executive Vice-President*
Henry W. Boyd, Jr.	*Vice-President and Treasurer*
J. Harlan Lawson	*General Manager*
William M. Blackie	*Vice-President*
Earle T. Bumpous	*Vice-President*
James P. Saunders	*Vice-President and Secretary*
Noble C. Caudill	*Vice-President*
Otis C. Williams	*Auditor*
Charles W. Cook	*Assistant Vice-President*
Houghton D. Vaughn	*Assistant Vice-President*
Anderson W. Spickard	*Assistant Treasurer*
H. Nelson Carmichael	*Assistant Secretary*

Transfer Agents: **Guaranty Trust Company of New York, New York, N. Y., and American National Bank, Nashville, Tenn.**

Registrars: **Chemical Bank and Trust Company, New York, N. Y., and The Nashville Trust Company, Nashville, Tenn.**

Annual Meeting of Stockholders: March 6, 1944.

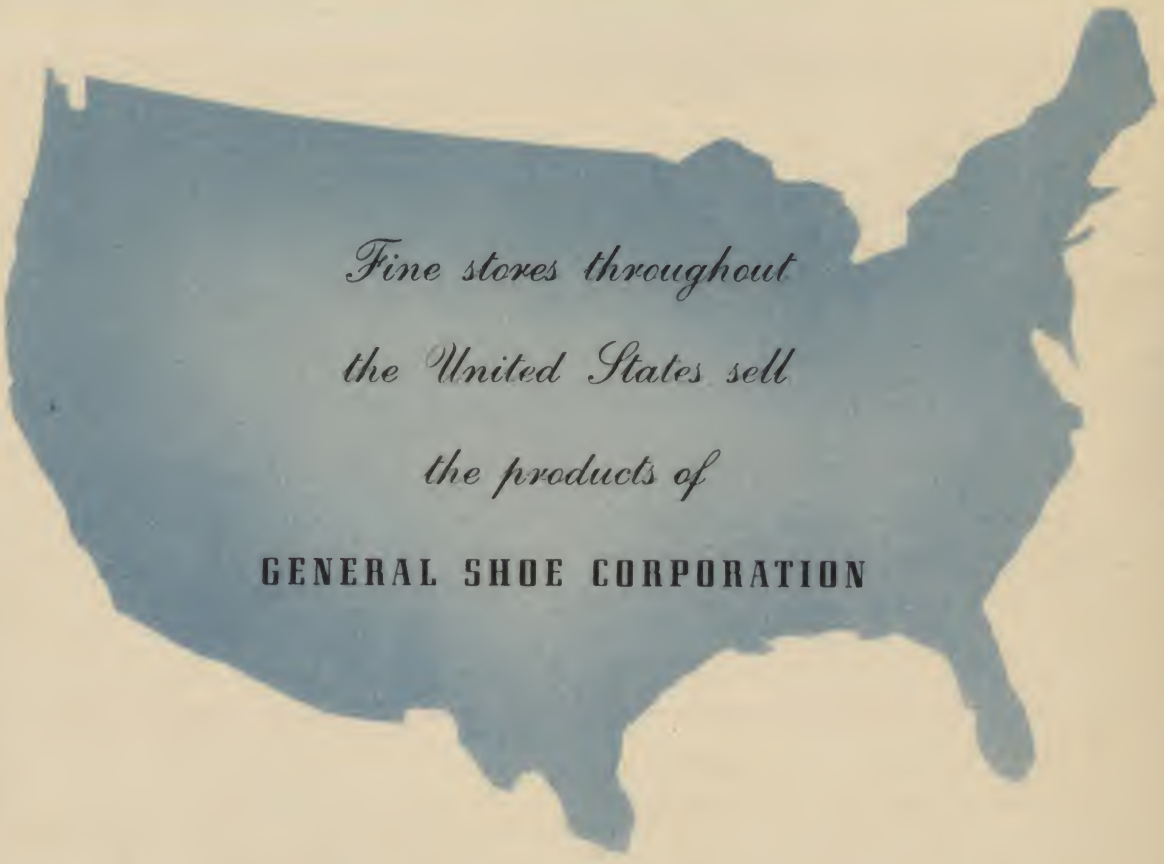
Factories—

Nashville, Tennessee
Gallatin, Tennessee (Two)
Tullahoma, Tennessee (Two)
Lewisburg, Tennessee
Hohenwald, Tennessee
Pulaski, Tennessee
Cowan, Tennessee
Frankfort, Kentucky
Lawrenceville, Georgia
Atlanta, Georgia
Mexico City, Mexico (Two)

Sales Divisions—

Jarman Shoe Company	Barrett Shoe Company	K. B. S. Shoe Company
Richland Shoe Company	Sewanee Shoe Company	Keenland Shoe Company
Davidson Shoe Company	Republic Shoe Company	Hylander Shoe Company
Dominion Shoe Company	Little Welt Shoe Company	Monteagle Shoe Company
Edgewood Shoe Factories	Dominion Bag Company	Gadi Company

Company-Operated Retail Stores for Jarman, Flagg Brothers and John Hardy Shoes



Fine stores throughout

the United States sell

the products of

GENERAL SHOE CORPORATION